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Chair

The Honourable Kevin Sorenson

Standing Committee on Public Accounts

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● (1630)

[*English*]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, everyone. This is still meeting 101 of the Standing Committee on Public Accounts for Thursday, May 31, 2018.

Colleagues, we are now public and we have before us today the Auditor General of Canada, Mr. Michael Ferguson.

Appearing with him is Mr. Jean Goulet, principal. As well we have Mr. Philippe Le Goff, principal; Ms. Carol McCalla, principal; and Mr. Glenn Wheeler, principal.

On Tuesday of this week, the Auditor General released his spring 2018 audit, and we are here today to meet with the Auditor General to discuss the audit he has brought forward.

I will now turn the time over to our Auditor General of Canada, Mr. Michael Ferguson.

Welcome.

Mr. Michael Ferguson (Auditor General of Canada, Office of the Auditor General): Thank you.

Mr Chair, I'm pleased to discuss our recent audit reports, which were tabled in the House of Commons on Tuesday, but before I describe each audit, I want to stress that right now is a critical moment when the federal government needs to reflect on what I call "incomprehensible failures" and on how government culture stands in the way of achieving successful results for people.

In our audit on the Phoenix pay system, we concluded that the project was an incomprehensible failure of project management and project oversight.

We also presented two audits that examined programs for indigenous people. When I put the findings of those two audits together with the findings of past audits, I also have to characterize as incomprehensible the failure of federal government programs to help improve the situation of indigenous people in Canada.

[*Translation*]

I will now describe what we found in each of our audits.

The first audit assessed Indigenous Services Canada's progress and reporting on closing socio-economic gaps between on-reserve First Nations people and other Canadians.

For years, governments have committed to closing these gaps. Nevertheless, Indigenous Services Canada did not have a clear picture of the size of the gaps, and did not know whether progress was being made to close them.

We looked specifically at education, and we calculated that the gap between on-reserve First Nations people with at least a high school diploma and other Canadians widened between 2001 and 2016.

● (1635)

[*English*]

Indigenous Services Canada made poor use of the education data it collected. For example, the department spent $42 million over four years to prepare first nations students to enter post-secondary education programs. However, only 8% of those enrolled actually completed this preparatory program.

Despite these poor results, the department did not work with first nations or education institutions to improve the success rate.

The second of our audits on indigenous programs looked at Employment and Social Development Canada's efforts to help indigenous people build the skills they need to find jobs and stay employed.

[*Translation*]

Despite spending over $300 million a year, we found that Employment and Social Development Canada did not know to what extent its programs helped Indigenous people find and keep jobs. For example, while 16% of Indigenous clients received five or more services, the department could not tell whether these clients made progress in finding and maintaining employment.

Our next audit examined how Global Affairs Canada responded to requests for consular assistance from Canadians abroad.

We found that the department deployed staff to help Canadians during a crisis in a foreign country.

However, we also found that the department took too long to assess signs of mistreatment or torture of Canadians detained abroad.

[*English*]

In 2004 Justice Dennis O'Connor said that Global Affairs Canada needed to train its staff to identify signs of torture and mistreatment, and needed to quickly inform the minister of those cases. More than a decade later, we found that the department gave consular staff only general training on how to conduct prison visits and assess whether Canadians had been tortured or mistreated. In one case, we found it took seven months before the department informed the minister.

[*Translation*]

Our next audit examined whether the Canadian Armed Forces efficiently administered the military justice system.

[*English*]

We found that the Canadian Armed Forces often took too long to resolve military justice cases, whether they were for minor discipline offences that led to summary trials or for allegations that were tried before a court martial. The Canadian Armed Forces had to drop 10 court martial cases because they failed to move them along as quickly as they should have. Delays run counter to the right of an accused person to have a speedy trial, and they leave victims and their families waiting for answers.

The Canadian Armed Forces has known about these problems for at least a decade, but has failed to correct them.

[*Translation*]

Our next audit looked at how some federal organizations disposed of their surplus goods and equipment.

We found that, in the year ended March 31, 2017, government organizations sold assets for $50 million. However, the estimated value of keeping and reusing those assets was $82 million.

[*English*]

The Canada Revenue Agency implemented a system to reuse its own assets, which allowed it to save $4.5 million over three years. This shows that the government can save money through the prudent reuse of its assets.

Let's turn now to our audit of the government's project to replace the Champlain Bridge in Montreal.

[*Translation*]

We found that the decision to replace the Champlain Bridge should have been made years earlier. Delays in making this decision cost taxpayers over a half a billion dollars.

The audit found that Infrastructure Canada's analysis of a public-private partnership approach to the project was done after the government announced that it would use that approach. We also noted weaknesses in the department's analysis. A thorough analysis would have found that there was a high probability that a public-private partnership would be more expensive than a traditional procurement approach.

In our opinion, the new bridge will be more expensive than it would been if the replacement decision had been made earlier, it will cost more than originally planned, and it is uncertain whether it will be completed by the December 2018 deadline.

● (1640)

[*English*]

Our final performance audit was our second audit of the government's Phoenix pay system. This time we looked at whether the decision to implement the pay system was reasonable. We concluded that the Phoenix project was an incomprehensible failure of project management and project oversight. This meant that the decision to launch Phoenix was wrong.

In order to meet budgets and timelines, Public Services and Procurement Canada decided to remove critical pay functions, curtail testing, and forgo a pilot implementation of the system. Phoenix executives ignored obvious signs that the Miramichi pay centre was not ready to handle the volume of pay transactions and that Phoenix itself was not ready to correctly pay federal government employees. When the Phoenix executives briefed the Deputy Minister of Public Services and Procurement Canada that Phoenix would launch, they did not mention significant problems that they knew about.

[*Translation*]

Finally, the decision to launch Phoenix was not documented. In our view, based on the information available at the time, the decision to launch Phoenix was not reasonable. Phoenix does not do what it was supposed to. It has cost hundreds of millions of dollars more than planned, and it has affected tens of thousands of federal government employees and their families.

Let's turn now to the results of our audit work in Crown corporations. Since the fall, we completed audits of the Canadian Museum of Human Rights, the Great Lakes Pilotage Authority, Ridley Terminals Inc., and Export Development Canada.

[*English*]

We found significant deficiencies in all of these corporations. In the case of Ridley Terminals, the issues we noted were so widespread that it meant that the corporation operated outside the prudent practices expected of a crown corporation. These issues were further compounded by Transport Canada's ineffective oversight of the corporation.

Our commentary on the 2016-18 performance audits of crown corporations explores important problems that we found in the four audits I just mentioned and in nine others that we've completed since 2016. For example, we're very concerned that eight crown corporations had a significant number of board members whose terms had expired.

[*Translation*]

I also want to mention that you can find on our website a commentary and video on our 2016-2017 financial audits of government organizations.

Before I answer questions, I want to once again stress the need for the government and the public service to look at these audits differently, not just as issues we found in different programs, but as symptoms of a much deeper culture issue.

Departments can implement our recommendations and deal with the symptoms we've raised, and that is important. But the real question for the government to think about is why do we keep finding and reporting serious problems, and why do incomprehensible failures still happen?

[*English*]

Mr. Chair, that concludes my opening statement. We'll be happy to answer any questions you may have.

Thank you.

The Chair: Thank you very much, Mr. Ferguson.

We'll now move to our first round of questioning, and we will go to Mr. Massé for seven minutes.

[*Translation*]

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you, Mr. Chair.

Mr. Ferguson, thank you for the work you and all of your team are doing to allow us politicians to better understand the reasons behind the issues, to identify the problems, and to help solve them.

I carefully read all of your reports, including what we here call chapter zero: the message from the Auditor General. I must admit that I have an internal perspective, since, as I already told you, I spent a number of years in the federal public service. I know full well that all the public service employees, or the vast majority of them, work very hard every day to ensure that the programs and activities they are tasked with are implemented. Nobody seeks to intentionally create a fundamental problem like the Phoenix pay system.

Still today, my thoughts are with the public servants affected by the major problems associated with Phoenix. For some, these financial problems have caused all sorts of other family problems. My thoughts are with them.

Auditor General, in your report and your message, you talk about a culture of obedience that could be the source of Phoenix's problems. I'm scratching my head, and I'm trying to understand the situation correctly. Is it possible that all of the adverse conditions came together? In fact, we had a system that was more than 40 years old. I don't want to play politics, but I must say that we also had a strategy aimed at reducing government spending, meaning that this project was supposed to bring about substantial savings. Many public servants and advisors were going to retire. Some of them had to retire due to cuts that had to be made. Services needed to be centralized in Miramichi, and almost all of the employees were new hires.

I think that there is obviously a link to the culture of obedience, but we have to take all the other factors into account. Instead of talking about this culture, should we not be talking about a perfect storm of adverse conditions?

● (1645)

Mr. Michael Ferguson: First, I will say that federal public servants are obviously very skilled, experienced and hard-working people. It's also important to mention that their work environment and organizational culture can help them accomplish all of their tasks and provide services to Canadians.

I know that Phoenix was a very complex project with different challenges. However, I think that the federal public servants should have been capable of managing such a complex project. Therefore, it's hard to understand why Phoenix turned out to be such a failure. This project had many various difficult aspects, but I think that public servants are capable of managing this type of complexity, given that their work environment and the culture of the federal government supports them in accomplishing their tasks.

Mr. Rémi Massé: Thank you.

That brings me to another question.

Public servants have carried out major projects in recent years, including a project that, in a sense, laid the groundwork for Phoenix. This project to modernize federal public servants' pension services was carried out very successfully, the proof of which was the more than 800,000 former public servants now receiving a pension thanks to this system. This program is managed by a team of public servants in Shediac, mostly, with others working in Ottawa.

In your report, you attributed Phoenix's failure to three individuals. Obviously, senior officials, senior public servants, deputy ministers and associate deputy ministers also participated in developing and carrying out this project. In your report, you say that various meetings took place with approximately thirty deputy ministers and associate deputy ministers from different departments. However, since you're saying that they weren't part of the project's official governance, it would seem that you are absolving them of their responsibility for the problems associated with Phoenix.

Can you explain your point of view?

I'll be honest with you. If I were a deputy minister or an associate deputy minister, and people told me that there were major problems with this type of project, and that there would potentially be consequences for my employees, I would obviously raise my hand and say that there is no way we are moving forward with this project.

Explain to me why you are putting the blame on three individuals instead of on the number of people with important positions who had a role to play in this.

● (1650)

Mr. Michael Ferguson: The purpose of this audit was to explain all the decisions made during this project. During audits, we can only verify all of the evidence. We must therefore provide the necessary explanations based on all the facts available.

Of course, deputy ministers are responsible for all the decisions made and all the activities carried out within their departments. It's important that deputy ministers be responsible for the decisions made, and that they be able to justify them.

All the other deputy ministers had no authority in the structure of this project. Of course, they flagged problems and shared their concerns, but they were told that those problems were already known and that there were ways to manage them. The deputy ministers therefore flagged certain problems, but that did not sway the people in charge of the project, who didn't change how they managed and completed it.

[*English*]

The Chair: Thank you, Mr. Massé. That was almost nine minutes, my friend.

We'll now move to Mr. Nuttall, please, for seven minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

Thank you to the Auditor General and your team for the incredible work that is being done on all of the reports and, in fact, for the message from the Auditor General.

I'd like to begin my remarks before asking any questions or making any statements by saying that we are incredibly proud of the public service that we have, of the work that they do throughout this process of understanding—or at least trying to understand—what happened with the Phoenix issue specifically. It is in no way an attack on our public service.

It's the opposite, because there are so many people within our public service who have been run afoul financially through the problems that were created with the Phoenix system. All of us have had people come to our offices, I'm sure, and hearing some of the stories and the issues it created was heartbreaking at times, especially around Christmas when there were, quite frankly, paycheques that just didn't show up.

Mr. Auditor General, I just want to say that this message, the introductory message to the audits that were completed, is one of the strongest, if not the strongest, document I've seen since I became a member of Parliament. I think that it represents what people in the public view as what is wrong with government, whether it's an individual or a business. It touches on the lack of measurables or the wrong measurables being in place for announcements, new programming, or spending. It touches on the amount of work that our public service has to do, kind of watching their behinds, and the amount of work that creates for people who are dealing with those government services.

There are a number of items I wanted to touch on. Before I do, your opening comments today on page 2, I believe, was, "Indigenous Services Canada made poor use of the education data it collected". It goes on to say, "However, only 8 % of those enrolled actually completed this preparatory program. Despite these poor results, the Department did not work with First Nations or education institutions to improve the success rate."

It is without reason why we're not taking these stats, which are abysmal—abysmal doesn't describe what they are—and not turning it into a process review to come up with a way to have better back-end results for the people who the Government of Canada, in whatever department, is serving.

We saw that message carried out in your message here where it speaks about Indigenous Services:

> A long-term view has to dominate that file, but because it usually only brings political problems in the short term, government tries to stay in the safe space of administering payments instead of being an active partner with Indigenous people to improve outcomes. The measure of success has become the amount of money spent, rather than improved outcomes for Indigenous people.

Further down you say:

> The result is an obedient public service that tries to eliminate risks and mistakes, which of course is not possible, so it has to try to avoid responsibility for those mistakes.
>
> In this culture, for a public servant, it is often better to do nothing than to do something that doesn't work out. If, however, action can't be avoided, people search for plausible deniability—a way to deny responsibility for a mistake.

The culture that you speak about in this document, the culture of the entire government.... Yes, you are talking about some specific audits that took place in Phoenix, where you talk about the catastrophe that is Phoenix, but really, you talk about government as a whole, the culture within the Government of Canada as a whole.

● (1655)

The premise for it is that the politics are done on such a short-term view, recreating a long-term issue within government as a whole in terms of change management and so on and so forth.

You end this by saying that you don't have the answer, essentially, but hopefully by identifying that the issue exists, that will be the first step.

Could you provide us with a couple of instances of previous audits that you were thinking about when you were putting these words together, in which you have provided the audit, the process changes have either been put in place or not put in place, and yet we still have the exact same results?

Mr. Michael Ferguson: I would refer to two audits that we have in this one. One is on the military justice system, where 10 years ago there was a report that indicated that there were a number of problems with how the military justice system operated and that those should be changed. We came along and did an audit that we're reporting on here and we found the same problems 10 years later. Again, that's a case where there were some very important recommendations made to improve the system, but for some reason they weren't followed.

The other one was the audit of Global Affairs Canada, looking at the consular services. Again, nearly 10 years ago, Justice O'Connor did an inquiry into the Maher Arar case, which indicated things that Global Affairs Canada needed to do to change how its consular services supported Canadians who are detained abroad. We came along at least 10 years later, and we find that many of those same issues are there and that the training that the department provided was just cursory training and was not detailed training about how those consular officers should be conducting prison visits to Canadians who have been detained abroad.

I think we just see the same types of things happening 10 years after 10 years, and I think that's very much an indication that the culture is getting in the way.

● (1700)

Mr. Alexander Nuttall: Absolutely. I like to say good information makes for good decision-making, but if you don't put that information to use, it's never going to be....

Mr. Auditor General, do you feel—and this is a yes-or-no question, if that's okay—that you have all the answers you were looking for on the Phoenix pay system now that you've conducted the second report?

Mr. Michael Ferguson: I feel we have all the answers we were looking for, but again, an audit can only go so far. We don't get access to the cabinet room and that sort of thing, and many of the discussions with the deputy minister were not documented, so I think we got what we needed to get, with what we were looking for, but an audit can only go so far.

Mr. Alexander Nuttall: There are still questions outside of what you were looking for in the audit, which need to be answered.

Mr. Chair, based on that, I'd like to put the following motion forward.

The Auditor General's message is unprecedented and the purpose of the message is to explore the cause of incomprehensible failures in government, so I move:

> That the Committee invite the Clerk of the Privy Council to help answer: why Phoenix failed and in the government's highly controlled environment, how was it possible for Phoenix to happen?

The Chair: The motion is in order.

Mr. Nuttall, you can speak to your motion if you want, or if there is any....

Are we in agreement? We have spoken to different members of different parties, and they seem to be in agreement with this.

Mrs. Alexandra Mendès (Brossard—Saint-Lambert, Lib.): We don't know the text of the motion. Could you give us notice of the motion, because I would have an amendment to put in there?

The Chair: What would your amendment be?

Mrs. Alexandra Mendès: It has to do with the scope of the.... It's not about Phoenix only; it's a lot....

The Chair: Her concern is that you're just focusing on Phoenix rather than indigenous issues and rather than the whole scope of the audit.

Mr. Alexander Nuttall: I'm fine with that.

Mrs. Alexandra Mendès: It's not properly done, so I would like you just to give notice and we can propose the amendment.

Mr. Alexander Nuttall: Mr. Chair, if I may, it is actually properly done. Since we're discussing the matter at hand, we can bring forward the motion without notice, right?

Mrs. Alexandra Mendès: I understand. I know it's in order, but for me to make the amendment, I have to look at it.

The Chair: Okay, speak through the chair. Do you want to make an amendment to that—

Mrs. Alexandra Mendès: Absolutely, yes.

The Chair: —and then we can at least come out of here saying, yes, we've decided?

Mrs. Alexandra Mendès: Can I see it, then, please?

The Chair: We'll hear from Mr. Angus on that.

Mr. Charlie Angus (Timmins—James Bay, NDP): I'm very interested in working with my colleagues on the motion. I think it should be done right, but we do have the Auditor General here, and we're televised. I would prefer to at least get a chance to ask some questions while they work on the motion, and then we can finish this off before we leave at 5:30.

The Chair: Ms. Mendès, while you work on a motion, we do have a motion on the table here.

Is there a process whereby we can set the motion aside and continue on—

Mrs. Alexandra Mendès: We can defer it.

The Chair: Okay.

Is it all right with the mover if we defer it until a time where we get—

Ms. Alexandra Mendès: Then I can make an amendment.

The Chair: —the amendment that's going to show the full scope of the audit? That way we can carry on with other questions to our Auditor General.

Mr. Alexander Nuttall: Yes, Mr. Chair, as long as it's done today, I think it's part of our reaction.

The Chair: Are we good to defer it to the last 10 minutes of the—

● (1705)

Mrs. Alexandra Mendès: We can defer it to the last five minutes, yes.

The Chair: Okay, we'll do that.

Thank you to the mover, and to Ms. Mendès on the amendment.

Mr. Angus, welcome here. Thanks for your time.

Mr. Charlie Angus: Thank you, Mr. Chair.

Thank you, Mr. Ferguson.

I want to mention at the outset the enormous respect I have for the work that you and your predecessor did on shining a light into the black hole that was indigenous affairs and is now Indigenous Services.

This day is the eighth anniversary of the death of Shannen Koostachin, who was the youth leader who had never seen a real school, living in a country like Canada. She fought for education. I find it appalling that after every report your department has come out with we're still talking about the "incomprehensible failure". If a department refuses to put the interests of children first, there's nothing "incomprehensible" about the failure. This is a predictable outcome. What's "incomprehensible" is how governments and departments year in, year out could have such a disregard for children, the children of Canada.

I want to start off looking at page 13, where you talk about the importance of literacy. In 2013-14, Indigenous affairs, for the first time that I ever remember, did a report on the "Success" program, in which they listed literacy and numeracy rates. In the Ontario region, the literacy rate for boys was 21%, and the numeracy rates were 18% for boys and 20% for girls. For the Waterloo public board, the literacy rates are 85%, and yet the department at that time announced in the same report that they were discontinuing keeping track because they thought the money could be spent better elsewhere.

I ask you, with your concerns about literacy, what better thing could a department that looks after children's education spend money on than finding out whether or not children can read?

The Chair: Mr. Ferguson.

Mr. Michael Ferguson: Again, I think the audit certainly did point out the fact that there has not been improvement in the education outcomes of first nations on-reserve students, and we've been doing audits in this area for almost 20 years. The thing I would want to add to what you said is that literacy is one of the most important things. It's the literacy outcomes that need to happen. The money is the enabler, but they need to make sure the money is spent in a way that's going to get outcomes. I referred to the fact that over four years the government spent $42 million on a preparatory program to help prepare first nations on-reserve people to go on and take post-secondary education, but only 8% of them completed that preparatory program, let alone how many of those 8% actually went on.

It can't be about just the amount of money spent. There also needs to be a connection that says that the money is going to the right places and it is achieving the outcomes it's supposed to achieve.

Mr. Charlie Angus: One of the fundamental principles of education is that you have comparable data. Our public system produces some of the highest-quality education in the world, and yet indigenous affairs has no comparisons with children in a provincial system, no idea about the management of programs, no attempt to actually identify the education gaps that exist. On page 17, you say they misrepresented the graduation rates, which they claimed were 46%, when the real number was 24%. I would put it to you, from the communities I've been in, where I've seen young people dropping out in grades 5 and 6 because they're so hopelessly behind, that these numbers might be even higher. How can we allow a system to run when they don't even bother to find the comparison with other students who are in the same provincially mandated curriculum?

Mr. Michael Ferguson: The premise of this whole audit was that governments often talk about the need to close the socio-economic gap that exists between on-reserve first nations people in particular, and other Canadians. The first thing we identified was that they aren't measuring what that socio-economic gap is. The information they do have is based on census information. They haven't updated it for the 2016 census, so the most recent numbers they have on what they call their community well-being index comes from 2011. They need to have a much better way of identifying what is a socio-economic gap, how they measure it, and how they know what's happening to it.

When we looked at the specifics of education—as I said earlier, something that we looked at almost 20 years ago—we saw that there has not been any improvement in the gap in education outcomes between the rest of Canadians and first nations on-reserve students.

● (1710)

Mr. Charlie Angus: Thank you for that.

What concerns me is that you identify in your report that, back in 2000, indigenous affairs committed that they would start to get comparable numbers, in 2004, I believe. The Auditor General asked for that in maybe 2011. They followed up in 2016. The Parliamentary Budget Officer asked where those comparable numbers were, and this department hadn't bothered to get the numbers. To me, this is not a failure. This is systemic negligence. If this was in the provincial system, heads would roll, but with indigenous affairs, it's just another day at the office.

How can we be looking at a report today where they haven't bothered to gather information they were told to get 18 years ago? For a child who was in grade 8 then, their kids are in the same broken system. I've got kids who are dropping out. We're losing generation after generation of young people because of this negligence. How do you hold them to account to say, if you are not going to bother to even track the numbers you were ordered to by the Auditor General, you shouldn't be allowed anywhere near programs for children?

Mr. Michael Ferguson: Mr. Chair, the only thing I can say is, in the course of these audits, we identify these issues. The departments will come back and say that they are going to do something. They will always agree with our recommendations. They say they're going to implement something, but too often, when we go back and do another follow-up audit, we find that they haven't done it.

Mr. Charlie Angus: It's 18 years of kids' lives that they didn't bother to track.

Mr. Michael Ferguson: There's no way I can explain that. The department is going to have to explain that.

We are as disappointed as anybody when we see that issues that we raised many years ago aren't followed up on. It's not just issues that we raise, but issues that come out of other reports, as I mentioned in those other types of areas. There are many different ways that government programs are evaluated, and recommendations are made to make improvements. It's extremely discouraging for us to come back and find that departments have committed to do something, and then we find out they haven't done it.

Mr. Charlie Angus: Thank you very much.

The Chair: Thank you very much, Mr. Angus. Good questions.

We'll now move to Mr. Arya, who is the last one in the seven-minute rounds.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

I would like to thank the Auditor General and his team for the excellent report they have done on various departments.

I would like to ask the Auditor General about Phoenix. All project management problems related to Phoenix can be traced, in my opinion, to one single decision: that is in your paragraph 1.32. You mentioned that in the spring of 2012, after the planning phase of Phoenix, IBM told Public Services and Procurement Canada that Phoenix would cost $274 million to build and implement. You also mentioned that the Treasury Board had approved only $155 million in 2009. The approved amount was approximately only 55% of the expected cost to build and implement Phoenix. You also mentioned that Public Services and Procurement Canada did not consider asking the Treasury Board for more money to build and implement Phoenix.

If you ask me, all the complex problems that are associated with this big, complex project are due to this one single thing.

I would like to focus on that and ask: Who are the people who made the decision not to ask Treasury Board for the full required amount?

Mr. Michael Ferguson: There's no way for us to know that. All we know is that the department did not go back to Treasury Board. In our opinion, they should have gone back to Treasury Board, either to ask for more money or to tell Treasury Board they'd had to cut back on the functionality of the system, and that consequently the system would not be able to produce the $70-million-a-year savings they had originally said it would. They had a responsibility to go back, one way or the other.

Mr. Chandra Arya: You mentioned several times the three Phoenix executives who took the decision subsequently, but coming back to this decision to not ask the Treasury Board, do you think it was limited to the three Phoenix executives, or was the decision taken by the deputy minister? There is a very significant difference in the amount that was required.

● (1715)

Mr. Michael Ferguson: Again, it's impossible to say. Of course, it's a decision they did not make. There's no documentation of something they decided not to do. That would all have been through conversations. There's no way for us to know exactly why they decided not to go back.

Our point is, even if they decided not to go back for more money, they should have gone back to say, "Now this project will not deliver the savings it was supposed to deliver." Regardless of who made the decision, at the end of the day they had a responsibility to go back to Treasury Board.

Mr. Chandra Arya: However, in my view, the decision not to ask the Treasury Board is critical here, because we are talking about close to a $120-million difference. Don't you think that a decision of this magnitude would not just be at the Phoenix executive level? It would not even be just at the level of the deputy minister. It would have to go to the ministerial level. Don't you think this decision of whether to ask or not to ask, or to proceed with this very limited budget, must have been taken in the confidence of the minister's office?

Mr. Michael Ferguson: Again, there's no way for us to know who would have been involved in making the decision not to go back and ask for more money.

Mr. Chandra Arya: Don't you think is something worth exploring? Go to 1.32, 1.33, or 1.34. All these things were removed only due to the fact that this project was undertaken with just 55% of the amount required to build and implement it. Don't you think this is a very significant thing, and that we should go into much more depth to find out what happened and which people were involved?

Mr. Michael Ferguson: Again, that would be a decision for the committee, depending on what it wants to do. The audit can only go so far. This was a regular performance audit on the decisions that were made and the way the project was managed. All we can do is follow the trail of decisions. There's nothing that explains why they decided not to go back and ask for more money.

Mr. Chandra Arya: Mr. Chair, we should make a note of the Auditor General's answer, that it is left to the committee to probe this further. When you look at the entire report, it all boils down to one single thing, which is that they undertook to build and implement a project of this magnitude with just 55% of the estimated cost. Naturally, major compromises had to be made, and what we are facing today is only because of those compromises that were made.

In your statement, at paragraph 31, you said the following:

> When the Phoenix executives briefed the Deputy Minister of Public Services and Procurement Canada that Phoenix would launch, they did not mention significant problems that they knew about.

Yes, that is quite clear, but don't you think the deputy minister was aware of all the things that had been taken out of the original plan? For example, you state in 1.33 that they knew they had deferred or removed the ability to process requests for retroactive pay. They had deferred or removed the ability to automatically calculate certain types of pay, such as increases in pay for acting appointments. Do you think the deputy minister was not aware that this had been deferred or removed from the system?

The Chair: Thank you, Mr. Arya.

Mr. Ferguson.

Mr. Michael Ferguson: I think the important thing to remember is that, over this time period, three different people served in the role of deputy minister of that department. The reference that I made in my opening statement was to the briefing that the executives made to the deputy minister who was in place at the time of the decision to launch. That would not have been the same person who was in the deputy minister's chair in these earlier decisions.

The Chair: Thank you very much.

We'll now move to Mr. McCauley, please.

Mr. Kelly McCauley (Edmonton West, CPC): Great. Thanks, gentlemen and madam.

IBM sent registered letters to the deputy minister and the assistant deputy minister around December-January, advising them—as my friend here would say, as a cover-their-butts issue—not to go ahead with the launch.

Have you seen those letters? Did they come up as part of your study?

● (1720)

Mr. Michael Ferguson: I can't speak to all of the different pieces of information that we've seen. Again, the report is a synthesis of all of the evidence that we gathered. As for specific types of documents or conversations, I don't have all of those details. That's what the report is supposed to do. It's not to provide all of that level of detail but to provide you with an overview of what happened.

Mr. Kelly McCauley: On preventing future "Phoenixes," IBM actually sent the registered letters twice, first one and then a follow-up, again stressing that the system was not ready and recommending not to go ahead. Should we write issues like this into future contracts, almost as a duty-of-care of contractors so that they go public with such information? It would almost be a whistle-blowing type of clause to help contractors bring up this issue so that we don't have a repeat.

Mr. Michael Ferguson: Again, that's not something I can comment on. In this particular project, it was the three Phoenix executives who had the responsibility for making the decisions. Any external contractors didn't have any authority to say, "No, this isn't going ahead." It was the three Phoenix executives who had that authority.

Mr. Kelly McCauley: That's interesting because the letters did go to the deputy minister and the assistant deputy minister, outside of the Phoenix executive, advising them of the issues.

We've talked a lot about the Phoenix executives—almost rogue executives—referred to in the report. Do you have concerns that this is a systematic problem throughout other projects being managed within the government? Should we be concerned about the integrity of how the other projects are being managed by PSPC and other departments?

Mr. Michael Ferguson: We're not doing any audits right now of any other systems, but in my message, I did indicate that I am very concerned that there will be another "incomprehensible failure" at some point in the future. I don't think that just putting in some additional rules or policies is going to be sufficient to make sure that this type of failure is avoided in the future.

Mr. Kelly McCauley: There's an example I'm thinking of. The Parliamentary Budget Officer put out a report on the costing of the combat ships being done in Halifax. Under the Parliament of Canada Act, he is entitled to receive information that he's asked for. DND and PSPC have refused to release the RFP, as well as the statement of requirements for the project. This is a $60-billion to $100-billion project, the largest ever handled in Canadian history. I'm just worried that we're walking down the same path, with the same issues of secrecy and working in silos to prevent accountability and transparency.

Is this something we should be greatly concerned about? The Parliamentary Budget Officer is entitled under Parliament of Canada Act to receive this information, but the bureaucracy is refusing to release documents to him.

Mr. Michael Ferguson: I can't speak to any specific situations outside of what we have in our audits. We do have audit information on a number of different issues. That's not something that we have audited.

Again, I would go back to the message that I indicated. It's very important, I believe, to look to the core reasons that we end up with incomprehensible failures, to make sure they don't happen on any future project.

Mr. Kelly McCauley: Does something like this look like it's one of these incomprehensible actions? We have one division of government refusing to follow an act of Parliament, which is to release information to the PBO. In fact, he's actually had to go to the United States to get comparable data, to try to cost out our ship plan.

Mr. Michael Ferguson: Again, that's not something I can comment on. I don't have any information on that.

Mr. Kelly McCauley: Okay.

I noticed your comment in your report that the decision to launch Phoenix was wrong. We've heard this repeatedly. We've heard of all the other issues.

What would the alternative have been at the time? Would it have been to delay it a bit more until these items were fixed, addressed, worked out a bit more?

Mr. Michael Ferguson: Again, as I think was talked about earlier on, the original decision point of cutting back on the functionality of the system really caused a lot of the problems, and things needed to be resolved at that point. It all started to build from there.

If the project had been managed the right way all along, you would have hoped that would have been identified much earlier, rather than to say at the last minute, "well I guess we'd better not launch this". It would have been better to find a way to continue on with the old system at that point in time, but even that would have been an 11th-hour, 59th-minute decision.

Really, to have avoided this, better decisions needed to have been made all the way along.

● (1725)

Mr. Kelly McCauley: [*Inaudible—Editor*] there was no risk to delaying it.

Anyway, I understand what you're saying.

Thanks.

The Chair: Thank you very much.

We have been able to work with Ms. Mendès, so I'm going to defer back to Mr. Nuttall.

He will bring a motion that has been amended and worked on by both of them.

Go ahead, Mr. Nuttall.

Mr. Alexander Nuttall: Thank you, Chair.

Ms. Mendès is not here; could we pause for 30 seconds?

The Chair: All right.

Mr. McCauley you still have a few moments, if you want to ask some more questions.

Mr. Kelly McCauley: We have a few minutes, so I'll let you speak out.

We've read the report about the first nations, Phoenix, the bridge, all this lack of oversight, etc. What do you think should be our next steps?

I'm thinking of the $60-billion to $100-billion monster with the shipbuilding where we can't get information; Mr. Angus can't get answers.

What do you think our next steps should be?

Mr. Michael Ferguson: In the course of our audit, again, we made a number of recommendations that would be aimed at fixing process. That's one thing.

In the message, that's where we identified that Phoenix should not have happened. There should not have been any way for Phoenix to happen, given all the different controls that exist within government, but somehow it did happen.

Therefore, there needs to be some sort of an examination of the cultural reasons within government that allowed it to happen.

Mr. Kelly McCauley: I appreciate your time.

I'm going to turn the floor over to Mr. Nuttall.

Thanks again.

The Chair: Mr. Nuttall.

Mr. Alexander Nuttall: Thank you, Mr. Chair.

I'd like to move the motion that was agreed on between, I believe all the parties.

I move:

> That we invite the Clerk of the Privy Council to address the message of the Auditor General in the 2018 Spring Reports.

I'll leave that on the floor, Mr. Chair.

I don't think it requires any more statements, certainly from this side. I'm glad that we could all be non-partisan and move forward on getting some more answers.

The Chair: Thank you.

Ms. Mendès asked for a moment.

Mrs. Alexandra Mendès: Thank you very much, Mr. Chair.

While I absolutely support the motion—and I told you I would—I would like to have time to confer with my colleagues and bring it to the next meeting, if at all possible, for the vote. This message goes way beyond the mandate of this current clerk.

The Chair: Mr. Nuttall.

Mr. Alexander Nuttall: Thank you, Mr. Chair.

I'm not sure what we would need to talk about, or you with your colleagues. I assume we either want to get answers or we don't. One of the things that I admire about this committee is that it is non-partisan. If we could push for a vote, that would be—

The Chair: Mr. Angus.

Mr. Charlie Angus: Thank you.

I'm a visitor to your committee. As an outsider, I would point out that an agreement was made to allow questioning to continue on the condition that a decision was made. Mr. Nuttall could have held the floor and stopped the Auditor General from speaking.

Out of respect, I think we should deal with this tonight.

The Chair: Mr. Arya.

Mr. Chandra Arya: Thank you, Mr. Chair.

I would like to know if there was any notice given before a motion was placed for a decision.

The Chair: I asked the clerk that question, and the answer was no. There wasn't, because it was coming out of the Auditor General's report. It's not a substantive motion that is against the report, that somebody might have a motion for something that wasn't dealing....

Motions do come out of meetings that we have like this. I was told it was in order.

Mr. Chandra Arya: My objection to the motion is that we have the Auditor General here. We have the important persons to ask. To cut that short to discuss a motion on this is, I think, a waste of time for the committee when important witnesses are present here.

● (1730)

The Chair: Thank you, Mr. Arya.

The only problem was that we did have an agreement between... that we would hold off till the last five minutes. So that's—

Mr. Chandra Arya: But when you—

The Chair: Mr. Arya, I have the floor.

Mr. Chandra Arya: I'm sorry.

The Chair: We had moved along, and we had gone ahead with, as Mr. Angus said, the questions to our Auditor General, holding off until the last five minutes.

So I think I'm still going to have to call the question. Then we'll just have to take it from there.

Mr. Arya.

Mr. Chandra Arya: Mr. Chair, when you talk about agreement, I understand that you did talk to Alexandra Mendès, who is a vice-chair, but I think every single member of the committee is as important as any other member.

An hon. member: Call the question.

The Chair: We'll call the question.

All those in favour of Mr. Nuttall's motion?

(Motion agreed to)

The Chair: We're adjourned.

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